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SUBJECT: SINGAPORE - 2009 NARRATIVE ON BUDGET TRANSPARENCY

REF: A.) STATE 28885
B.) 08 SINGAPORE 252

¶1. (SBU) In response to ref A request for information regarding the transparency of Singapore's budget, we provide the draft narrative below. The narrative is an update of the text from last year's congressionally-mandated report on fiscal transparency in countries receiving USG assistance (Ref B). Foreign assistance to Singapore is limited to funding for training programs under the Export Control and Related Border Security (EXBS) assistance program. For FY2009, the request amount is US$500,000.

¶2. (SBU) Begin text of the 2009 report on Singapore:

Singapore 2009

USG's aid to Singapore is limited to export control training programs. In FY2008, the amount received was $725,000. For FY2009, the request amount is $500,000.

The Government of Singapore (GOS) states its commitment to fiscal responsibility though in practice it is not fully transparent.

The GOS makes its annual budget public using print media, television and radio. It also posts the current year's budget on the Internet at a site devoted to the budget (www.singaporebudget.gov.sg). Previous years' budgets are archived on the Ministry of Finance website (www.mof.gov.sg). Budget figures made public are considered accurate and reliable, but omit significant off-budget revenues.

The GOS applies accounting practices that minimize revenues recorded on-budget. For example, except for very short-term lease revenue, proceeds from government land sale programs are not included as on-budget revenue, though they are disclosed in the budget appendices. These proceeds are instead transferred to Singapore's fiscal reserves, estimated at $200 billion by the IMF and managed principally by the Government of Singapore Investment Corporation (GIC) and Temasek Holdings, Singapore's sovereign wealth funds (SWF).

According to the constitution, only a portion of the income received from investing Singapore's fiscal reserves can be brought on budget. The GOS altered the rules for exactly how much can come onto the budget in 2008. The constitution now allows for capital gains and losses, in addition to interest and dividends income from investing Singapore's fiscal reserves in a given year, to be brought on budget without Presidential approval. Up to 50 percent of the annual average expected returns for the next 20 years may be included in the budget. These new rules apply to returns from GIC and the Monetary Authority of Singapore (MAS) only. Temasek will continue to follow the old arrangement, where capital gains and losses are not included in the budget and only up to 50 percent of interest and dividend income from fiscal reserves managed by Temasek may be included.

Capital gains of GIC and Temasek are still not disclosed publicly.

Although up to 50 percent of expected returns/interest and dividend income from fiscal reserves managed by GIC and Temasek may be included in the budget, the government does not disclose the actual percentage of these earnings that are used in the budget year to year, nor will it publicly disclose how it calculates the 20-year average annual return forecast that will be the basis of transfers from GIC and MAS. Thus, there is little transparency regarding the substantial earnings from Singapore's presumably large stock of fiscal reserves.

There are no USG or other multilateral programs aimed at strengthening Singapore's capacity to develop fiscal policies to support transparency and good governance.

Singapore has not yet done a Fiscal Transparency Report on the Observance of Standards and Codes (ROSC). A 2007 IMF Article IV staff report indicated that the Singapore authorities agreed to undertake a fiscal ROSC in 2008. However, the ROSC was postponed, initially as a result of IMF budget limitations, and now due to more pressing priorities for IMF staff.

SHIELDS